

2020 Energy Efficiency Plan Third Draft

September 19, 2019



2020 Annual Energy Efficiency Plan 3rd Draft Overview

- **In 2020, serving more customers, with more energy efficiency products and services, at lower costs**
- **Seeing that this plan does more with less is complicated:**
 - Highest number of unique participants than ever before yet lower savings goals than previous years because that's the nature of market transformation
 - Lower customer rebates and costs are hard to see when the Company is delivering more products and services, and when the Company increases efforts to serve Income Eligible customers
- **Company has responded to ~1,700 comments through drafting process**
- **Measure savings and costs have been reviewed line-by-line with external subject matter experts**

Agenda

- 3rd Draft Overview
- What We Heard from Stakeholders
- What's Changing and Why
- The 2020 Plan Third Draft by the Numbers

Stakeholder Input – What We Heard

- Significant Stakeholder Input through Comments and Memoranda on the Second Draft
 - Over 700 detailed and high level comments received from OER, DPUC, C-Team, TEC-RI, and Acadia Center
- Key Themes
 - Performance Incentive – desire for increased company accountability around delivered fuels savings, increased accountability around spending levels relative to budget
 - Desired focus on equity, ensuring access and delivery of services to Income Eligible customers
 - Desire for increased savings and decreased budgets
 - Increased focus and clarity on relationship between active and ‘passive’ demand reductions in both electric and gas contexts

Changes: Second Draft to Third Draft of 2020 Plan

Change from Second to Third Draft	Drivers
Changes to PI mechanism	<ul style="list-style-type: none"> Increased share of PI pool allocated to delivered fuels measures Expanded scenarios under which company-earned PI is impacted by relationship between savings performance and spending performance
Increased Investment in Income Eligible Services	<ul style="list-style-type: none"> Increased Income Eligible participation by ~5% Resulting increase in anticipated savings in IES programs
<ul style="list-style-type: none"> ↑ Electric savings goal by ~1,000 MWh ↑ Gas savings goal by ~800 MMBtu 	<ul style="list-style-type: none"> 300 annual MWh of additional savings from C-PACE ~460 annual MMBtu in additional savings from the IES program
<ul style="list-style-type: none"> ↑ Electric budget by ~ \$560k ↓ Gas budget by ~\$250k 	<ul style="list-style-type: none"> \$435K to Income Eligible Single Family, \$177K to EnergyStar HVAC program Increased \$287K for Income Eligible Single Family. Decreased \$868K incentives for Gas Peak Demand Pilot
Passive vs Active Demand	<ul style="list-style-type: none"> Commitment to quantifying peak demand reduction impact of gas efficiency measures Commitment to studying and qualifying impacts with goal of informing future PI Mechanism

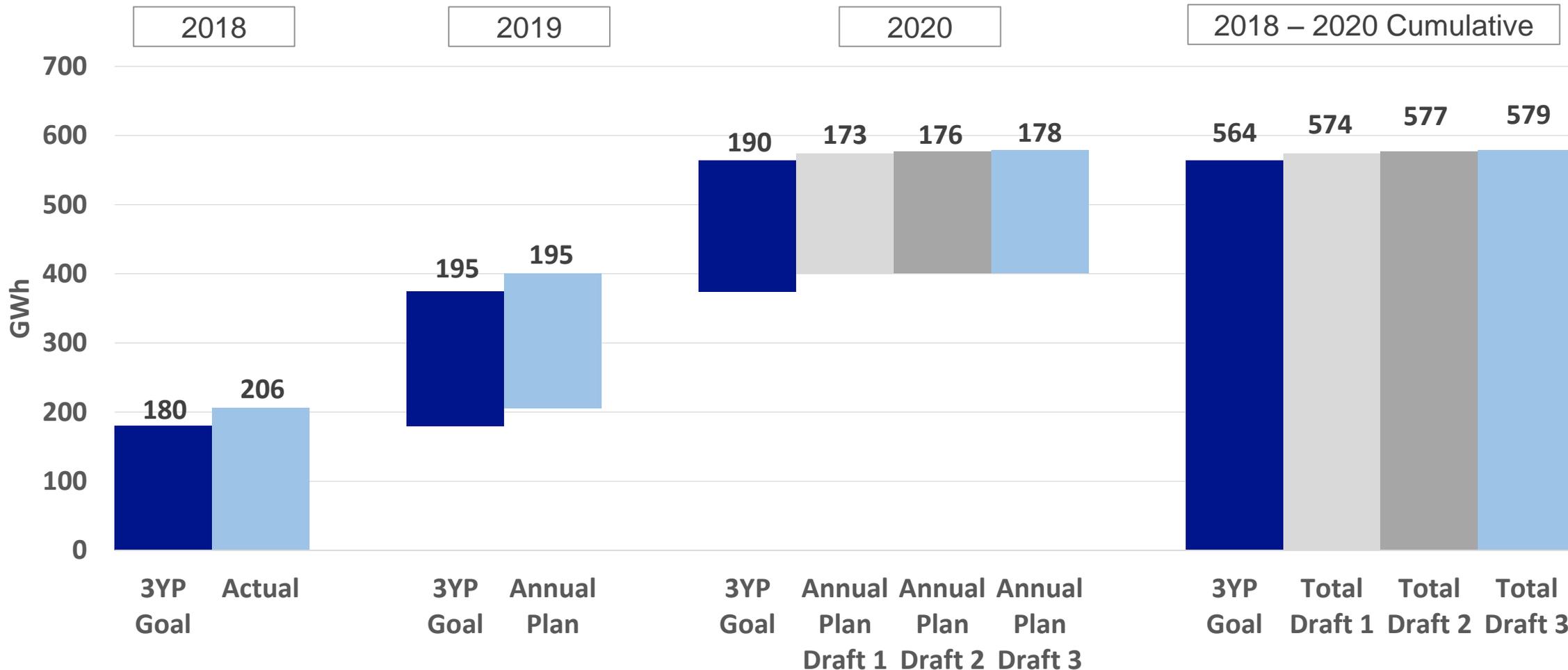
Program Level Changes

Change	Driver
Income Eligible Assessments and Redistribution of clothes and washers/dryers	Increase of \$373K in incentive costs as a result of increased energy assessments (2,716 measures increased) Increase of \$205K in gas incentive cost as a result of assessments (41 measures increased)
Lighting Budget Increased	Linear LED incentive increased to \$0.12 per bulb to align with MA Assorted cuts, balanced out by increase in Linear LED incentive
BC Model saving and budget changes	Revisited actual historical \$/MWh and \$/therms with program managers Streetlight budget decreased by \$153K
Finance	The EBF ask from RIIB increased \$216K from \$5M to \$5.2M
Gas Demand Response	Reduced scope and pace of pilot, resulting budget decrease of ~\$800k

Agenda

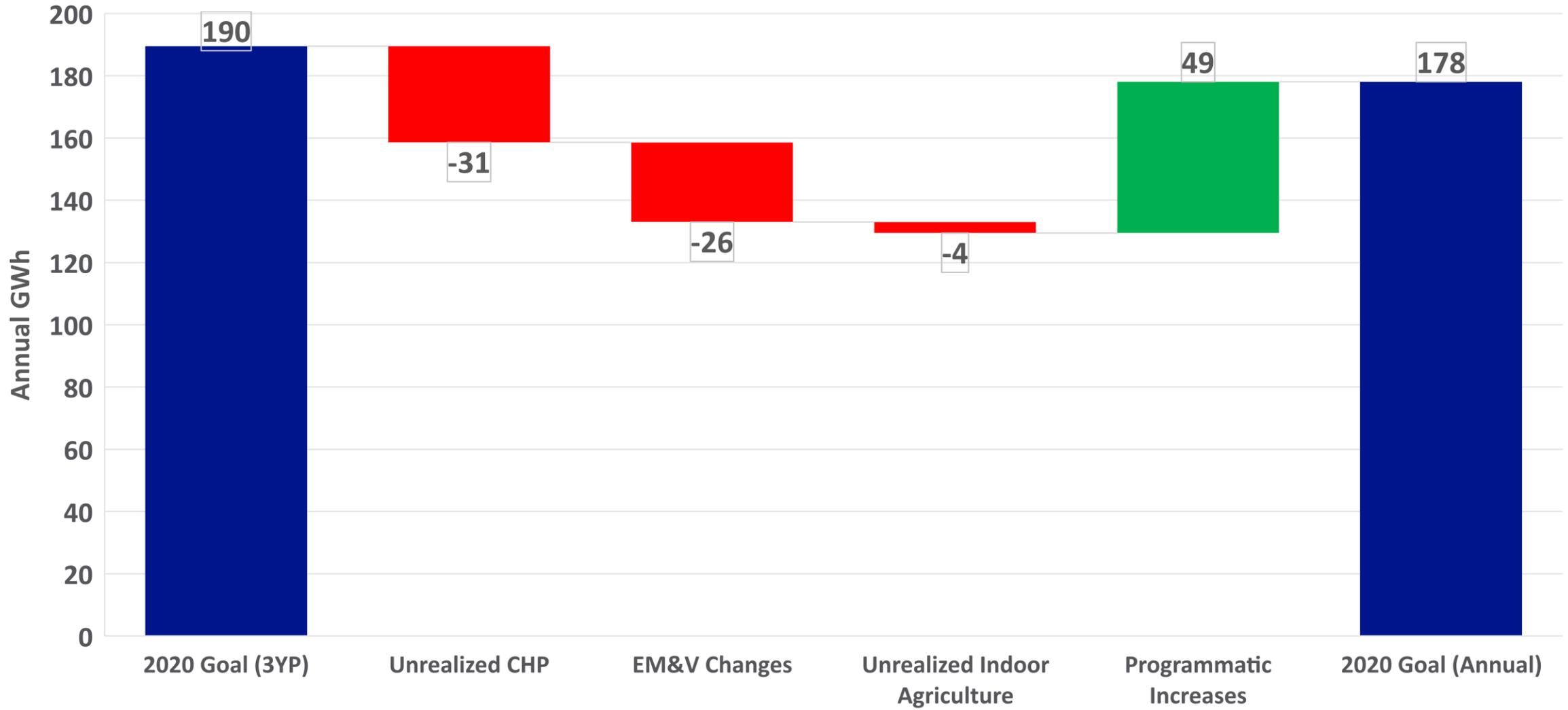
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3YP Goals Compared to Annual Achieved & Projected – Electric



2020 Plan Draft 3 increases annual electric saving goal 1.0% from Draft 2, extends path to exceeding 3YP electric savings goals

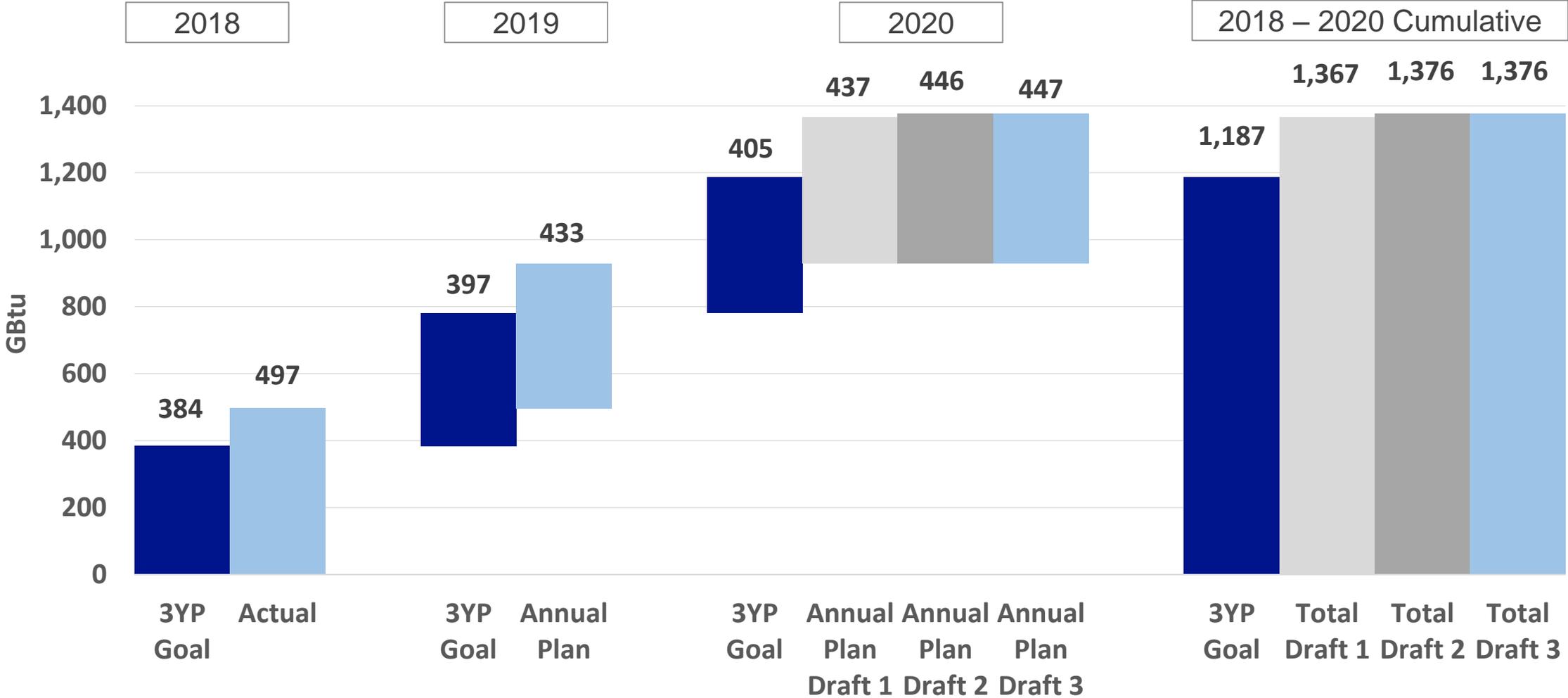
Comparison of 2020 Electric Goals 3YP vs. Annual Plan



Changes in Electric Savings: First Draft to Third Draft

- **Overall Electric Savings Increased by ~4,000 MWh**
- **Core Increases:**
 - Residential Consumer Products increased 834 net annual MWh
 - ENERGY STAR HVAC increased 783 net annual MWh
 - C&I Custom Measures increased 552 net annual MWh
 - Single Family Income Eligible Services increased 246 net annual MWh
 - C&I HVAC increased 207 net annual MWh
- **Countervailing Decreases:**
 - Residential New Construction, EnergyWise single and multifamily collectively decreased 412 net annual MWh
 - Customer Street Lighting decreased 407 net annual MWh

3YP Goals Compared to Annual Achieved & Projected – Natural Gas

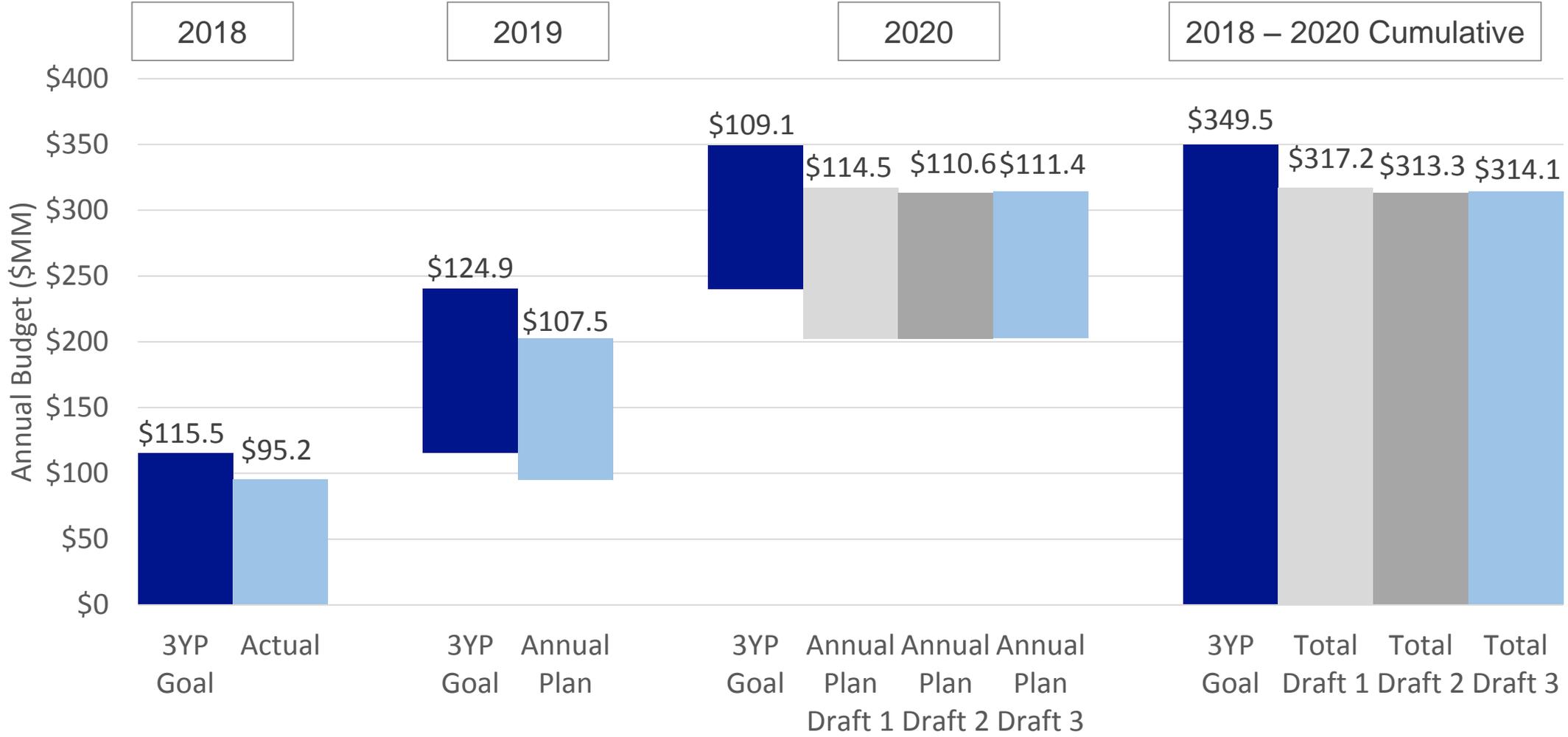


2020 Plan Draft 3 maintains gas savings goal from Draft 2, maintains path to exceeding 3YP gas savings goals

Changes in Gas Savings: First Draft to Third Draft

- **Overall Gas Savings Increased by ~9,640 MMBtu**
- **Core Increases:**
 - Retrofit increased 6,530 net annual MMBtu
 - C&I New Construction increased 1,668 net annual MMBtu
 - Single Family Income Eligible services increased 459 net annual MMBTU
 - Residential New Construction increased 203 net annual MMBtu
- **Countervailing Decreases: combined**
 - Combined decrease of ~170 net annual MMBtu from ENERGY STAR HVAC, Income Eligible Multifamily, and EnergyWise Multifamily

2020 Electric Budget Relative to 3YP

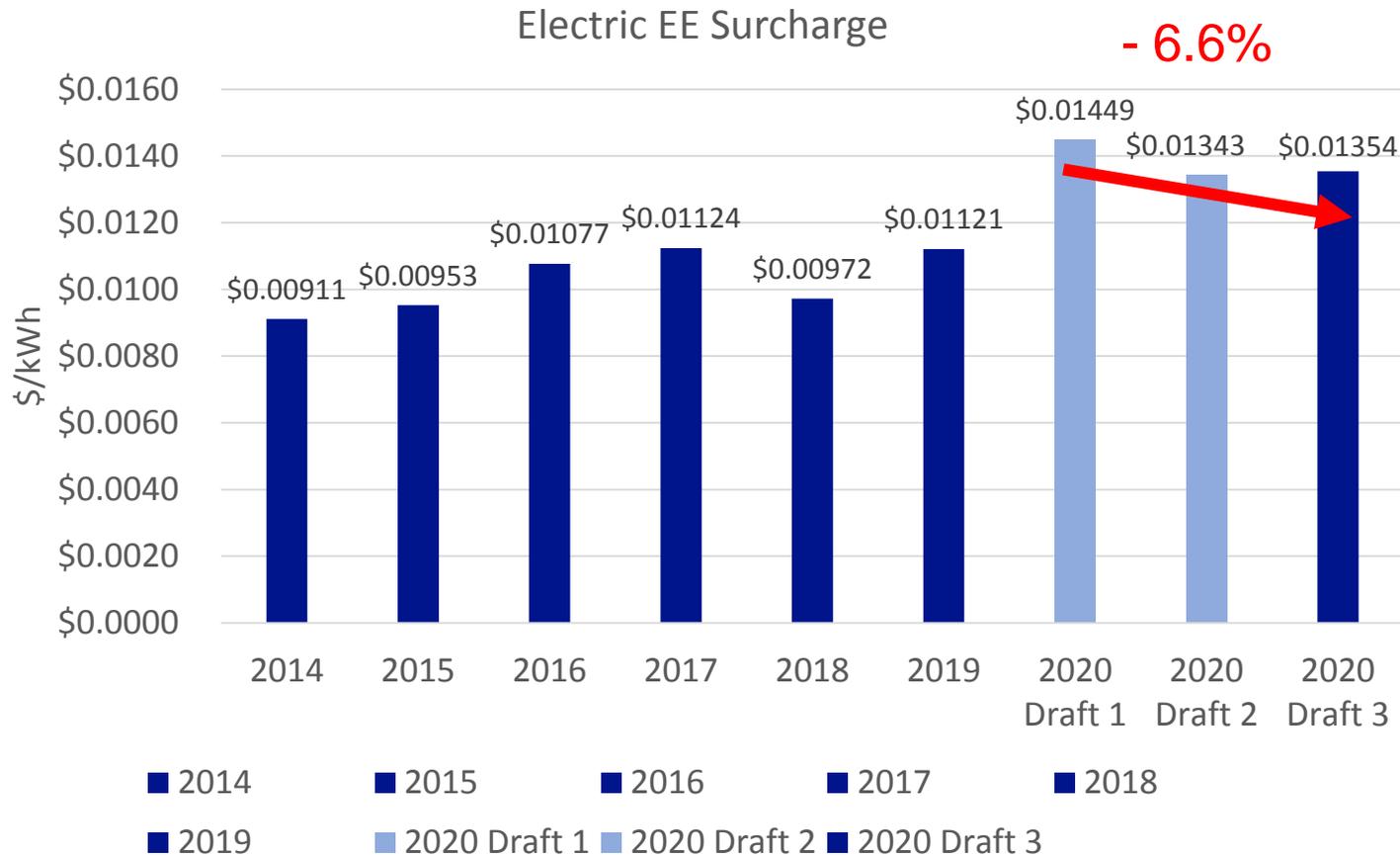


2020 Draft 3 budget maintains program momentum / targeted investments while reducing by over \$3M from Draft 1

Changes in Electric Budget: First Draft to Third Draft

- **Overall Electric Budget Decreased \$3.1M since First Draft**
- **Core Decreases:**
 - \$2M decreased in OBR contribution
 - EnergyStar Lighting decreased ~\$1M (Customer Incentive decreased \$653k and STAT decreased \$340k)
 - EnergyWise decreased \$665k (STAT decreased \$555k and Customer Incentive decreased \$128k)
- **Countervailing Increases:**
 - Low Income Single Family increased \$423k (Customer Incentive increased \$373k)
 - Commercial Retrofit increased \$371k (STAT increased \$270k and Evaluation increased \$119k)
 - EnergyStar HVAC increased \$365k (Customer Incentive increased \$447k)

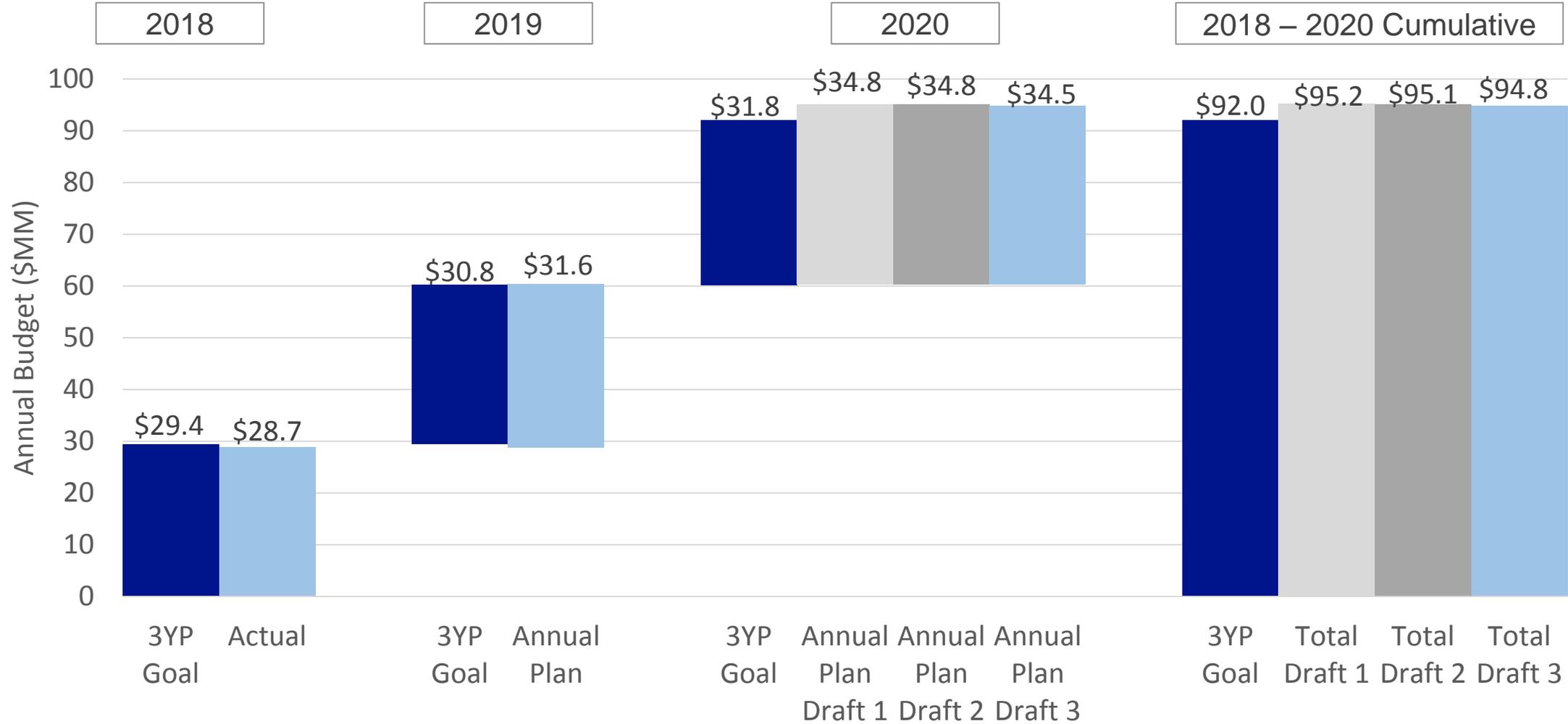
Electric EE Surcharge – Historical and 2020 Draft 1 to Draft 3 Comparison



Change from Draft 1 to Draft 3	Impact on Electric EE Surcharge
Updated Projected Fund Balance	↓
Reduced Program Budget	↓
Reduction in On-Bill Repayment Funds	↓

Surcharge reduced by 6.6% from first to third draft due to reduced budget requirements, reduction in anticipated negative year-end 2019 fund balance

2020 Gas Budget Relative to 3YP

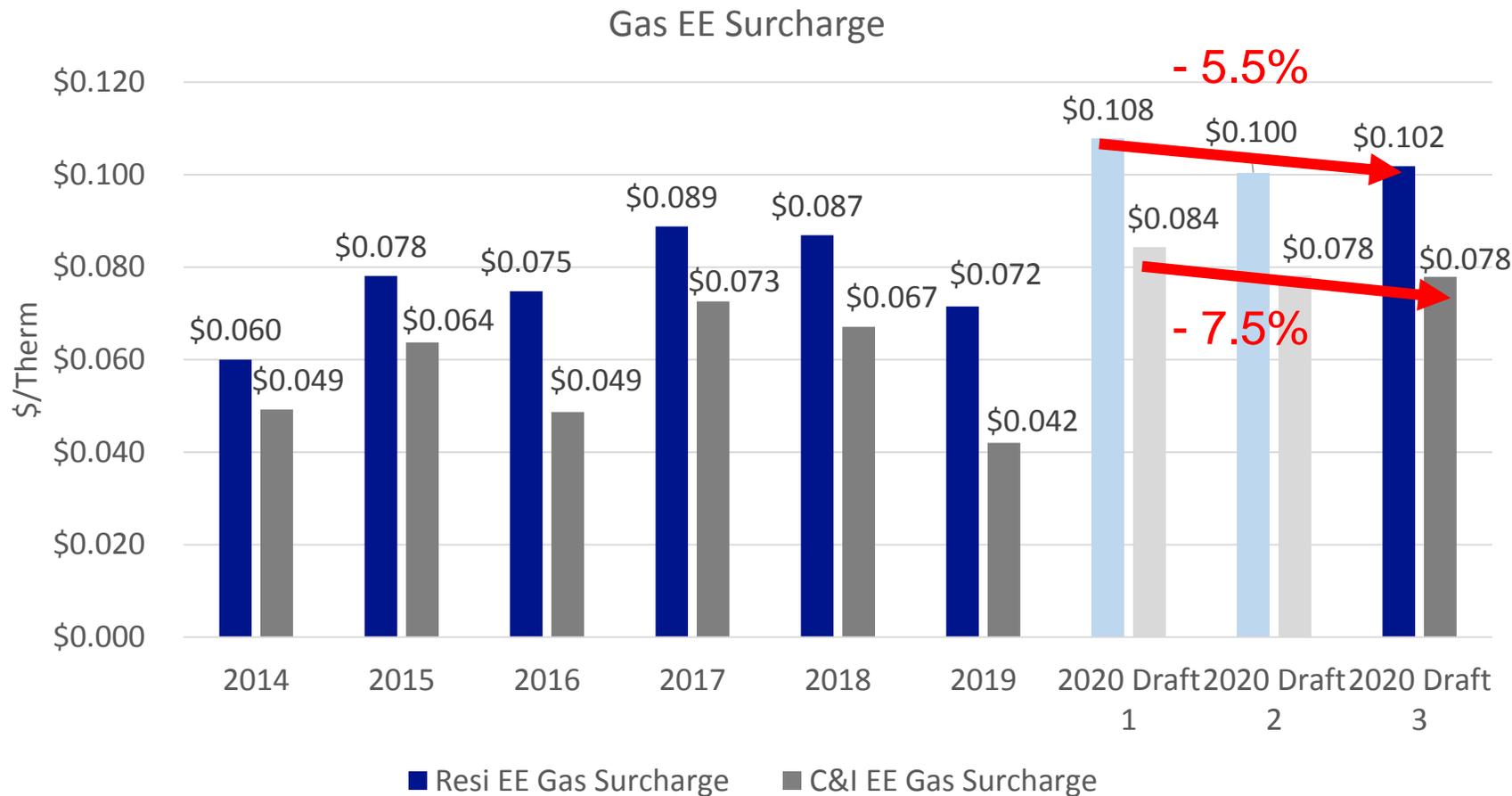


Gas budget projected to slightly exceed 3YP total, while achieving >10% increase in savings relative to 2020 target in 3YP

Changes in Gas Budget: First Draft to Third Draft

- **Overall Gas Budget Decreased \$300k since First Draft**
- **Core Decreases:**
 - Commercial Pilot decreased \$910k (Customer Incentive decreased \$868K)
 - EnergyWise decreased \$308k (STAT decreased \$384k)
- **Countervailing Increases:**
 - EnergyStar HVAC increased \$595k (Customer Incentive increased \$541k)
 - Single Family increased \$284k (Customer Incentive increased \$205k)
 - C&I Commercial New Construction increased \$130k

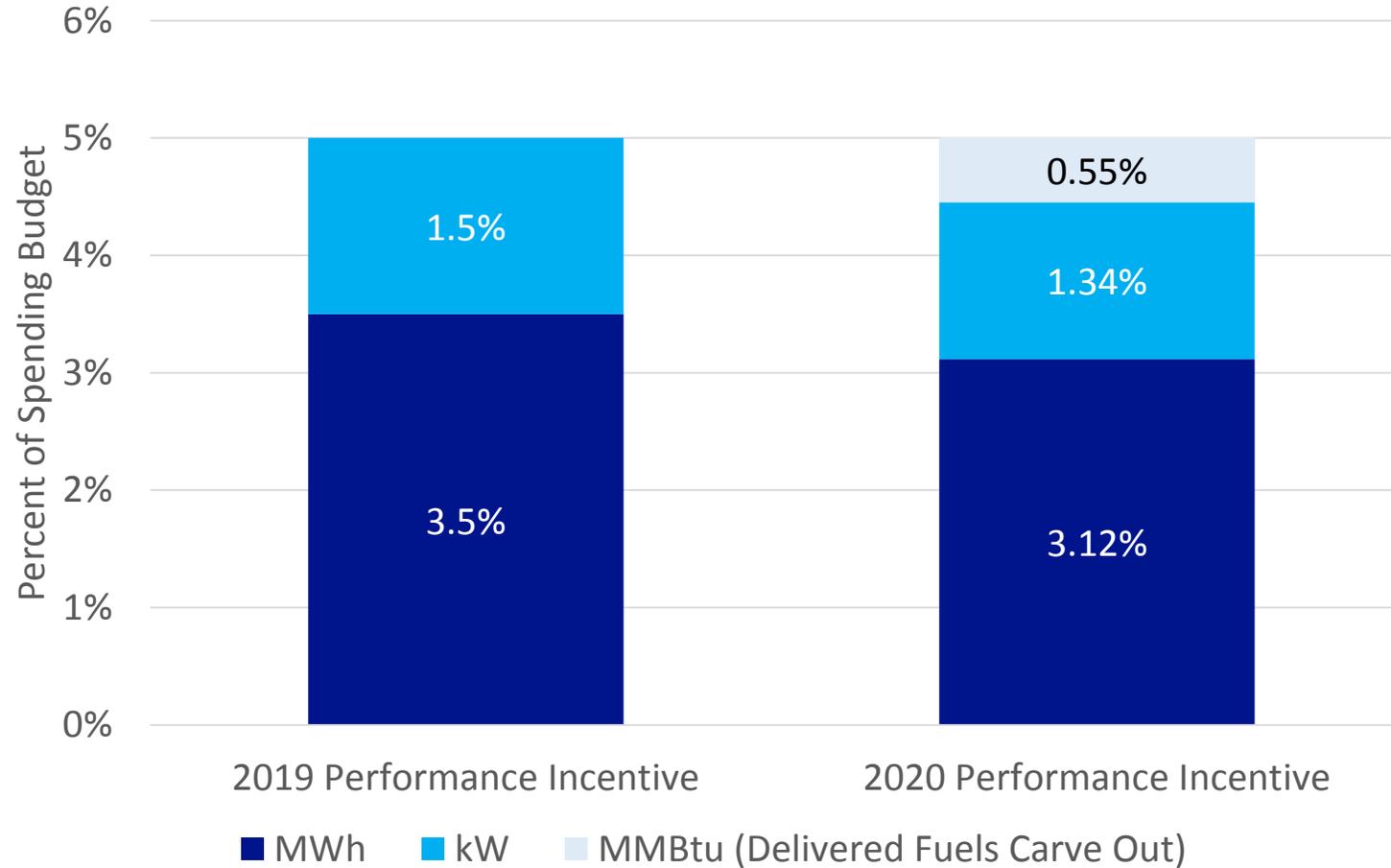
Gas EE Surcharge – Historical and 2020 Draft 1 to Draft 3 Comparison



Change from Draft 1 to Draft 3	Impact on Gas EE Surcharge
Updated Projected Fund Balance	↓
Reduced Program Budget	↓
Updated 2020 Gas Load Forecast	↓

Residential surcharge decreases 5.5%, C&I decreases 7.5% from first draft to third, primarily driven in part by a reduction in anticipated negative year-end 2019 fund balance

Electric Performance Incentive – 2019 to 2020 Comparison



2020 Electric Performance Incentive mechanism maintains same overall 5% of spending budget target, includes budget-based carve out for delivered fuel Wx and ASHP

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Important Dates

July 10	Company Issues Plan Outline	✓
July 16	First Draft of Plan Distributed	✓
August 9	First Draft Stakeholder Comments Due	✓
August 23	Second Draft of Plan Distributed	✓
September 6	Second Draft Stakeholder Comments Due	✓
September 19	Final Draft of Plan Distributed	✓
September 26	Company deadline for additional responses to stakeholder comments	
October 3	EERMC Votes on 2020 Plan	
October 15	Plan Filed with PUC	